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CONCURRENCE		INFORMATION	SIGNATURE

Remarks: The attached Budget Call for NRO accounts is being forwarded for appropriate action. It is intended that the FY 1974 and FY 1975 estimates be submitted in one package. Accordingly, your date for submission to Mr. Duckett is 16 April 1973. Please use the number [] for your submissions. Four (4) complete copies should be submitted to this office.

25X NRO
I would appreciate your reviewing carefully [] guidance and instructions as soon as possible so we may advise him promptly in the event we anticipate any difficulty.

NRO and USAF review(s) completed.

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(S) NATIONAL RECONNAISSANCE OFFICE

WASHINGTON, D.C.

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OFFICE OF THE DIRECTOR

February 16, 1973

MEMORANDUM FOR THE DIRECTOR OF CIA RECONNAISSANCE PROGRAMS

SUBJECT: FY 1974 Financial Program, FY 1975 Budget, and FY 1976 thru 1979 Planning Guidance

Guidance for the formulation of FY 1974 thru 1979 recommendations for those NRO accounts involving CIA responsibility is contained in the attachments hereto.

It is expected that in the case of [] this guidance will be supplemented as the result of suggestions from the SIGINT Committee or others.

JOHN L. McLUCAS
Director

Attachments

NATIONAL SECURITY INFORMATION
Unauthorized Disclosure Subject to
Criminal Sanctions.

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IDEALIST SENIOR YEAR

Classified by []
EXEMPT FROM GENERAL
DECLASSIFICATION SCHEDULE
OF EXECUTIVE ORDER 11652
EXEMPTION CATEGORY 2
DECLASSIFY ON Indefinite

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GENERAL: (CIA)

A. This correspondence provides program guidance, and launch schedule data, for the development of resource requirements and related cost estimates for the FY 1974 Financial Program, FY 1975 Budget, and FY 1975 thru 1979 Planning as applicable. As such, they do not constitute schedule or program approval. CIA is authorized to submit, in addition to the estimates required herein, alternative program and cost estimates as deemed appropriate.

25X1 B. In the case of [] it is expected that the SIGINT Committee or others may request additional costing options. These requests have not yet been received. It is expected that supplementary guidance will be issued in this connection, allowing additional time for the estimate submissions.

C. The CIA FY 1974 Financial Program recommendations are to be submitted in one complete copy each for the DDNRO, NRO Comptroller, and NRO Staff by not later than May 1, 1973.

D. The CIA FY 1975 Budget recommendations are to be submitted to the same recipients by not later than May 15, 1973. At CIA choice, both the FY 1974 and 1975 estimates may be submitted in one package by May 1, 1973.

E. The CIA FY 1976 thru 1979 Planning recommendations, to the extent required in subsequent instructions, are to be submitted to the same recipients by not later than May 29, 1973.

F. Project details are to be furnished on a line item basis, as specified in subsequent instructions. No requirements are to be reflected in line items which are not properly chargeable to that line item.

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H. With respect to economic escalation, there has been no known change from last year's OSD guidance, but the factors are hereby updated to start from an FY 1973 base:

1. FY 1974 submissions are to be based on expected FY 1974 prices.
2. Factors for FY 1975 thru 1979, in relation to an FY 1974 base are: (Percent increase)

	<u>RDT&E</u>	<u>Procurement</u>
FY 1975	4.3	2.2
FY 1976	8.2	4.4
FY 1977	12.1	6.7
FY 1978	16.1	9.1
FY 1979	20.3	11.5

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Economic Escalation factors are not to be automatically applied across-the-board, but should be used on a reasonably-selective basis. The amounts are to be included in each applicable line item, rather than subject to separate identification.

25X1 I. Para. G in [] under "GENERAL" (last year's guidance) is still considered to be appropriate for this cycle.

J. No provision is to be made in CIA contracts or estimate submissions for termination liabilities. In the event of termination, appropriate funds will be identified or provided.

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U-2 Aircraft - General: (CIA and Dir. D)

A. Effective 1 July 1973, all U-2 aircraft except four U-2R's to remain with CIA are to be transferred to the Air Force.

B. For FY 1974 and subsequent years, budgeting and funding responsibilities against the current NRP accounts have been established as follows:

	Idealist	NRP
	Senior Year	Air Force
	Idealist/Senior Year Common	
	(Including full support of CIA fleet)	Air Force
	[REDACTED]	NRP
	Photographic Materials and Processing	
	(Including full support of Air Force fleet)	NRP
	[REDACTED] Operations - For FY 1974 at least, this	
	will continue as equal sharing of the Baseline	
	posture by NRP, CIA, Air Force	
25X1	[REDACTED] (Including full support of	
	Air Force fleet)	NRP
	General R&D - Aircraft (Including limited	
	support of Air Force fleet - to be determined	
	on a case-by-case basis)	
	[REDACTED]	NRP
		Air Force
25X1	U-2R [REDACTED]	Air Force
	U-2C [REDACTED]	Air Force
	U-2R [REDACTED] (Except for [REDACTED])	Air Force
	(Note: If CIA is given a primary [REDACTED]	
	mission, the NRP would pay for equipment	
	and related peculiar costs, as properly	
	chargeable to the Idealist account, but the	
	Air Force would pay for Common costs)	

C. A budgetary decision was not needed for U-2R Investment. However, if such costs do develop, it is expected that the Air Force would take the requirements lead for common equipments determinations, and that costs would be shared by the Air Force and NRP, based on the proportional percentages of materiel involved. If solely peculiar to the CIA fleet, the NRP would pay, and if solely peculiar to the Air Force, the Air Force would pay.

D. Effective 1 July 73, the Air Force will assume responsibility for any continued loan of U-2 aircraft to [REDACTED] and the Navy, or new loans to other Government Agencies, including support, contracting, and reimbursement arrangements.

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IDEALIST: (CIA)

A. Idealist cost recommendations are to be on the basis of four U-2R's assigned.

B. Submit a table of flying hours (broken down between operations, ferry, test and training by Detachment) by tail number aircraft, as actually accomplished in each quarter of FY 1972, the first three quarters of FY 1973, and as forecast for the last quarter of FY 1973. For FY 1974 and 1975, provide forecast flying hours by quarter, any aircraft out for IRAN, etc., again distinguishing between operational, ferry, test and training hours; these need not be by tail number. Explain planned aircraft utilization in FY 1974 and 1975.

C. In the event CIA is granted a primary [] mission by the time of estimate formulation, explain assumptions, timing, and other pertinent factors, and specifically identify the additive Idealist costs for the mission by line item. These costs are not to include any Common support, which is to be included in the Air Force funding; CIA would work closely with Director D in establishing the Common additive funding required. 25X

25X1 D. Inasmuch as [] support is small, it will now be included under Idealist, rather than as a separate account.

E. F.Y. 1974 Financial Program Recommendations:

25X1 1. The costs to be submitted under this account are to be arranged under headings of Airframe Support, Airborne Electronics Support, Pilot-Related Support, Construction Maintenance, Operations and Maintenance, Field Service Support, [] and any other categories related to Idealist peculiar support.

2. Under these headings, submit usual line item detail, being certain to submit not only the line item costs, but also numbers or explanations as appropriate (numbers of field service personnel by contractor, reasons for significant changes from FY 1973 funding, etc.).

25X1 3. If a primary [] mission is approved, include the costs in each line item, but also furnish separate sheets as to how much of each line item involves additive funding proposed. Additive funding in this case means those costs over and above what would be required if the [] mission 25X did not exist.

F. F.Y. 1975 Budget Recommendations:

Submit in similar detail as for the FY 1974 Financial Program.

G. F.Y. 1976 thru 1979 Planning Recommendations:

25X1 No submission is required unless CIA-OSA considers that costs in any of these years would be significantly different from FY 1975. The NRO Comptroller will cover economic escalation considerations.

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U-2R INVESTMENT: (CIA)

A. No provision was made in the FY 1974 Budget nor in any subsequent fiscal year for CIA U-2R Investment costs.

25X1 B. This account is limited to CIA, as there is other nomenclature being used for Air Force. As such, it is to cover additive or replacement investments for cameras, direction finders, and other airborne or ground equipments for the four U-2R CIA aircraft. If CIA is granted a primary mission, this account would pay for investment costs (reference the note under "U-2 Aircraft - General").

C. If such costs do develop for FY 1974 or 1975, follow the guidance under Para. C under the "U-2 Aircraft - General" portion of this guidance.

D. Any investment projects must be supported by meaningful data, such as the requirements basis, proposed schedules for contracting and delivery, cost details, reason for mandatory need, the basis for quantities requested whether common to the entire U-2 fleet (with the basis for a fund-sharing recommendation), or peculiar to CIA, and any other pertinent information. Fiscal year estimates are to be on a full funding basis.

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PHOTOGRAPHIC MATERIALS AND PROCESSING: (CIA)

A. As stated under the "U-2 Aircraft - General" portion of this guidance, the NRP will fund for full support of the photographic materials and processing costs for the Air Force U-2 fleet.

B. F.Y. 1974 Financial Program Recommendations:

1. Photographic Processing:

a. Provide proposed number of personnel and costs for each of the budget categories (Black and White Processing, Color Processing, etc.).

b. If increases to the FY 1973 approved levels are recommended for any of the budget categories, provide narrative justification for the increases.

c. Include EKC travel under this account.

2. Film and Chemicals (Satellites):

a. Indicate by film type and rolls the film expected to be available in inventory on 1 July 1973. Provide planned useage of inventory materials by type.

b. Provide tabulations of both negative/original positive and duplicating film requirements for a [redacted] mission. Indicate total rolls of film required by film type and the costs of the film. In making this computation, assume an average of 1,000 ft. of color for [redacted]

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c. Indicate film requirements for other identified requirements (testing, etc.) by number of rolls, by type and the cost of the film.

d. The FY 1974 fund requirement should be computed on the basis of [redacted] launches in FY 1974, with [redacted] [redacted] The Mission numbers that are covered by the requested FY 1974 funds should be noted.

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e. Provide the costs and basis for color effort, chemicals, spools and cans, and R&D separately.

3. Film and Chemicals (Aircraft and Miscellaneous).

a. Provide the costs for film and chemicals for the CIA fleet and for the Air Force fleet, identifying the costs of each. Provide tabulations of assumed numbers of missions, total rolls required by film type and costs per film.

b. Specifically identify the costs and efforts for USNR & TSC

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and other users not otherwise accounted for.

4. Photographic Equipment and Spares.

Distinguish individual equipment and spares and their costs between equipments and spares for EKC, AFSPPF, and other community support, specifying the users in the last case.

5. Facilities Expansion.

Provide the recommended proposal for any facilities expansion programs at EKC in some detail.

C. F.Y. 1975 Budget Recommendations:

1. Submit in a similar manner as for the FY 1974 Financial Program, with the following modified instructions applicable to FY 1975:

a. Photographic Processing - If increases to the FY 1974 recommended levels are proposed for any of the budget categories, provide narrative justification for the increases.

b. Film and Chemicals (Satellites):

Indicate by film type and rolls the film expected to be available in inventory on 1 July 1974, and its expected useage during FY 1975.

The FY 1975 fund requirement should be computed on the basis
25X1 of [] launches per year.

c. Facilities Expansion - Provide the recommended proposal for any facilities expansion programs at EKC, to be initiated in FY 1975.

D. F.Y 1976 thru 1970 Planning Recommendations:

These need not be submitted unless the Director of CIA Reconnaissance Programs feels that any of these years should be significantly different from the FY 1975 recommended costs. In such case, reasons and cost changes are to be furnished. The NRO Comptroller will provide for economic escalation factors.

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A. It will be assumed that the costs of Baseline Posture III will continue to be shared by the NRP, CIA and the Air Force, at least for FY 1974. Costs beyond this effort are to be paid by using customers.

B. F.Y. 1974 Financial Program Recommendations:

1. CIA is to compile and submit, in cooperation and coordination with Director D, the total costs for Posture III, identifying line entry costs and specific data on personnel involved (X engineers at \$, Y guards at \$, etc.).

2. Identification of approved pay raises and other "inflationary" cost factors is to be made, in relation to FY 1973 approved manning and efforts.

3. In the event CIA proposes manning or effort changes for FY 1974, specific explanations and the additive costs are to be identified separately.

C. F.Y. 1975 Budget Recommendations:

Submit in similar detail as for the FY 1974 Financial Program.

D. F.Y. 1976 thru 1979 Planning Recommendations:

No submission is required. The NRO Comptroller will cover the estimates, including economic escalation considerations.

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25X1 AIRBORNE COLLECTION [REDACTED] (CIA)

25X1 A. As stated in the "U-2 Aircraft - General" portion of this guidance, CIA will be responsible for [REDACTED] support of both the CIA and Air Force fleets. Accordingly, CIA is to work with Director D in formulating those estimates related to U-2 support under Category II, Prototype [REDACTED] 25X1 [REDACTED] Equipment, and Category III, R&D of Defensive Equipment, and to specifically identify those efforts generated by Director D.

B. F.Y. 1974 Financial Program Recommendations:

1. Submit line item recommendations under Categories I thru IV, with comprehensive justification.

2. For all line items, specifically distinguish between those which are continuations of FY 1973 approved efforts and those which are new proposals. In each case, identify FY 1975 and subsequent fiscal year follow-on costs to completion, if appropriate.

C. F.Y. 1975 Budget Recommendations:

Submit in similar detail as for the FY 1974 Financial Program.

D. F.Y. 1976 thru 1979 Planning Recommendations:

No submission is required. The NRO Comptroller will cover the estimates, including economic escalation considerations.

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A. This account is generally limited to R&D for U-2 aircraft, except that "Optical Analysis" will be funded and budgeted hereunder.

25X1 B. As stated in the "U-2 Aircraft - General" portion of this guidance, limited support of Air Force fleet, to be determined on a case-by-case basis, is to be included under this account, as well as for the CIA fleet. The term "limited" is used, because the FY 1974 and 1975 budgets were each established at only [] including Optical Analysis. This does not necessarily limit the U-2 efforts to [] but would minimize extensive development efforts, at least for FY 1974.

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C. Accordingly, CIA is to work with Director D in establishing the estimates for U-2 General R&D. Specifically identify those efforts generated by Director D.

D. F.Y. 1974 Financial Program Recommendations:

1. Submit line item recommendations with comprehensive justification.
2. For any line items, specifically distinguish between those which are continuations of FY 1973 or prior approved efforts and those which are new proposals. In both cases, identify FY 1975 and subsequent years follow-on costs to completion for the effort, if appropriate.
3. Specifically identify any possible existing equipment modifications or new equipments which may result from the proposed R&D.

E. F.Y. 1975 Budget Recommendations:

Submit in similar detail as for the FY 1974 Financial Program. For FY 1975, the funding need not be as limited as for FY 1974.

F. F.Y. 1976 thru 1979 Planning Recommendations:

No submission is required. The NRO Comptroller will cover these, including provision for economic escalation.

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